FINANCIAL CLOSEOUT OF SPONSORED PROJECTS
(TULANE UNIVERSITY)

Responsible University Official: Director, Grants and Contracts Accounting ("GCA"); Director, Sponsored Projects Administration ("SPA")

Responsible Office: GCA and SPA

Coordinating Departments: Academic Departments; Financial Services; Budget Office; Provost's Office and all academic departments participating in research

Issued Date: July 1, 2011
Last Reviewed Date: July 1, 2011

Effective Date: July 1, 2011
Next Review Date: July 1, 2014

WHO NEEDS TO KNOW THIS POLICY: Deans, Department Chairs, and Principal Investigators participating in sponsored activity

WEBSITE FOR THIS POLICY:
http://tulane.edu/asvpr/ora/upload/Financial-Closeout-for-Sponsored-Projects.pdf

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I. Background: This policy has been established to aid Principal Investigators ("PIs") and departments in closing sponsored projects (including clinical trials) upon project expiration. Tulane is responsible for meeting reporting deadlines established by an awarding sponsor; consequently, it is important to conclude certain program activities in order to generate the final closing documents. Failure to do so can result in negative consequences to the Principal Investigator and/or the University.

II. Policy

A. Tulane University agrees to comply with the conditions established by awarding sponsor for project closeout of a grant or contract account upon award expiration. Terms and conditions for closing an award may vary by sponsor, but typically include the timely submission of one or more of the following reports: technical/scientific/progress report, financial statement of expenditures, report of inventions, patent report, royalty report, inventory list of equipment purchased under the award, contractor's release form, and/or final invoice or voucher.

B. Almost all sponsors require a final financial status report detailing the disposition of funds. For Federal projects, these reports are due within 90 days of the award expiration; for state and private awards, the deadline may be as short as 15 days. Inability or failure to submit reports within the stipulated time frame can result in the suspension of funding and/or a delay in the release of future funding for the investigator and/or the University. In order to comply with reporting deadlines, all expenditures related to the project must be processed, open encumbrances closed, cost sharing verified, and the account(s) reviewed for errors or necessary changes. Any necessary corrections must post to the grant account within the closeout period, which is typically 90 days except for state or other sponsors, which may be 15 days. Responsibilities related to project closeout are listed in further detail below.

C. When SPA receives notification from an IRB that a PI's IRB approval for a project has expired, SPA will initiate closure of the sponsored project account, unless the PI provides justification to SPA to keep the account open. If SPA does not receive a response from a PI regarding closure of an account once SPA has received notice of the IRB closure, SPA shall close the account 10 working days from the date SPA sent notice of receipt of the IRB closure to the PI.

III. Procedure

A. Account Closeout Process

1. **General:** Throughout the life of a sponsored project, it is the responsibility of the Principal Investigator, or his/her designee, to monitor the award by conducting monthly reviews of the account in the Tulane Account Management System ("TAMS"). The accounts should be reviewed for errors such as incorrect salary distribution, incorrect charges, or keypunch errors. TAMS can also be used as a management tool to determine the award balance available for expenditures, the spending level of each cost category (e.g. salary, travel, and equipment), the status of open encumbrances, and any cost sharing commitments that must be fulfilled. A brief discussion of the key areas of review for account closeout follows.

2. **Salary Distribution**
   a. Once an account number is assigned to a new sponsored project, effort should be distributed to the account through the use of a Payroll Action Form ("PAF"). After a PAF is submitted and entered into the system, payroll charges will continue in accordance with the effort distribution listed until a new PAF is generated by the PI or department to initiate necessary changes.
   b. At least thirty days prior to project expiration, a PAF must be prepared and processed by the responsible department for each individual charged to the project to cease all salary expenditures on the account. Project personnel must be transferred to another source of funding by the project end date. Late redistribution of salary will result in charges going into suspense, delays in final financial report submission and could result in the loss of sponsor funding. PAFs should be prepared as soon as a change is noted in order to allow time for processing. (The approval cycle for a PAF differs from school/department to school/department; check with the responsible administrator for appropriate routing procedures.) Salary changes made 90 days beyond the project expiration date will be considered late cost transfers. Should this occur, the PI must follow the procedures in the policy on Cost Transfers.

3. **Effort Certification:** The web-based Effort Reporting System ("ERS") serves as the mechanism for certifying effort on sponsored projects, including clinical trials. The system includes a certification statement to be "signed" online by the PI or other responsible party stating that the effort distribution adequately reflects the individual's work activities. If the projected work activities change and the actual effort differs from the distribution, a new PAF should be initiated to reflect the proper allocation.

Certifications must take place two times per year for the periods ending June 30 and December 31. See the policy entitled Effort Reporting policies and procedures for further information.

4. **Open Encumbrances:** Before final reports can be prepared on an expired award, all open commitments, including final invoices from subcontractors, need to be liquidated or closed. The Principal Investigator or his/her designee is responsible for monitoring encumbrances and communicating any problems with the appropriate department (such as the subcontractor, Purchasing, Materials Management, Invoice Processing, or Physical Plant.) All commitments to be liquidated should be cleared within 90 calendar days of the award expiration date to ensure their inclusion on the final financial report.

5. **Cost Transfers:** A cost transfer involves moving an expense from one account to another. A limited number of reasons might necessitate a cost transfer, such as a keypunch error or the determination that an expense benefited a project other than the account charged. Transfers must be completed in a timely fashion and include detailed documentation as to the reason for the transfer. PIs and departments must follow the procedures outlined in the policy entitled Cost Transfers.

6. **Cost Sharing**: Cost sharing is a contribution to the cost of the project not funded by the sponsor. When cost sharing is committed to a sponsored project, it must be documented through the accounting records. The PI or his/her designee is responsible for conducting a periodic review of the accounts to ensure that cost sharing commitments are being met and that unrestricted funds to cover the cost share commitment have been transferred in a timely manner. For more information, see the policy entitled Cost Sharing.

7. **Cost Overruns/Deficit Balances**
   a. An expired account cannot be removed from the accounting system until it has a zero balance. Therefore, any deficit balance must be cleared before the project can be closed. Cost overruns can occur because: 1) the project expenditures were greater than originally anticipated or supported by the sponsor, or 2) expenditures were made to the account in error.
   b. If expenditures were made to the account in error, a correctional cost transfer should be initiated to move the expenditures to the appropriate account(s). As noted above, cost transfers must be fully documented and processed in a timely manner. For further information, refer to the policy entitled Cost Transfers .
   c. If project expenditures exceed the approved budget and continue to be processed on an account after termination, they will post to a "suspense" account and must be removed with a correction IT (non-salary charges) or a PAF (salary charges). If project expenditures exceed the approved budget, the overrun is considered cost sharing. The excess expenditures remain in the sponsored account to ensure that the account reflects the full cost of the research. In this situation, unrestricted funds must be transferred into the sponsored account using the SPAcle/TAMS cost sharing natural account code 8422 for both the sponsored account and the unrestricted account.
   d. All deficits must be cleared within the fiscal year that they occur. It is the responsibility of the Principal Investigator and his/her department to clear deficits within 120 days of account expiration. This will allow the sponsored account to be closed promptly, and the Investigator and his/her Chair or Dean can then determine

how to allocate the deficit among unrestricted accounts. Failure to do so will result in Grants and Contracts Accounting clearing the deficit to an unrestricted department account.

8. **Account Surpluses:** Unlike cost-reimbursement awards, where expenditures are reimbursed after they are incurred, some granting sponsors allocate funds at the beginning of the award period or as a firm, fixed price. When such an award expires leaving a surplus balance in the account, a determination must be made as to how to allocate the remaining funds. The decision belongs to the awarding sponsor, and is often communicated within the award notice. If the unrestricted balance results from a firm, fixed-price agreement, the balance may be transferred, net of indirect costs, in accordance with the university's Policy on Residual Funds. If surplus funds are required to be refunded to the sponsor, Grants and Contracts Accounting will return the appropriate balance once the final financial report is approved by the Investigator.

B. Late Cost Transfers: Late cost transfers create potential problems for the Investigator and the University, including audit issues, late report submission, and possible loss of funding. To avoid such consequences, cost transfers for sponsored projects, including salary redistribution, must be completed within 90 days of the project expiration. Consult the policy entitled Cost Transfers for procedures that must be followed when addressing cost transfers, late or otherwise.

C. Disallowances: If the review of an account or the preparation of a financial report reveals expenses that are not allowable under the terms and conditions of an agreement, the charges must be transferred to another account. Failure to do so could result in the expenditure(s) being disallowed in an audit review and possible penalties to the University. Therefore, if unallowable expenditures are not removed within 90 days of the discovery of the error, Grants and Contracts Accounting will transfer the unallowable expenditures to an unrestricted department account. This will allow the sponsored account to be closed promptly, and the Investigator and his/her Chair or Dean can then determine where the charge is to be transferred.

IV. Related Policies

A. Deficit Spending & Cash Balance Review Policy
B. Cost Transfers Policy
C. Cost Sharing Policy
D. Effort Reporting
E. Residual Funds Policy

V. Related Forms:

A. Payroll Action Form
B. Notification to Close TAMS Accounts/Projects